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The public relations aspect of the Comptrollership
function in industry.

Burton, John H.

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THE
GEORGE WASHINGTON UNIVERSITY
NAVY GRADUATE COMPTROLLERSHIP PROGRAM

THE PUBLIC RELATIONS ASPECT OF THE COMPTROLLERSHIP
FUNCTION IN INDUSTRY

By John H. Burton,
Lieutenant Commander, U.S.N.
for
Doctor A. Rex Johnson

January 1956

PREFACE

The thought occurred to me while being privileged to listen to several score controllers and other top management executives from American industry lecture at the George Washington University Seminar on Controllership, that the public relations aspects of controllership were being generally overlooked.

Judging from the various discussions by these top business executives, as they outlined their concepts of controllership and how they thought the average controller executed his job, the public relations facet of the controller's function, though important, was rarely considered.

This paper then was conceived from that thought. Is there a public relations aspect to the controller's function? If so, what is its scope?

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INTRODUCTION

Exploration of the field of business writings disclosed the fact that some writers recognized the need for the controller to seek and maintain good public relations not only for his own office but for the corporate good. Some other authors, judged solely by their omission of public relations mention in their works on controllers and their duties, apparently did not note the need. Those authors who were perceptive in seeing the connection between public relations and controllership were completely sold on the merit of the relationship. They thought it vital.

In view of the dynamic nature of controllership and the constantly revised concepts of the function, it was felt that the subject was worthy of further investigation.

The breadth of the exploration and the guidelines of its framework can best be realized from the following paragraph.¹

The public does not know the economic facts of life. There are, for instance, gross misconceptions as to the nature and size of profits. There is but slight understanding of the role of savings and investment. The dynamics and the risks of business enterprises are little known. Our large corporations are considered to be immune to the economic shocks that jolt the individual businessman. The contribution of management is not understood. Even less appreciated, of course, are specific management policies affecting labor, prices, products, and ways of doing things within the framework of private enterprise. Ignorance of economic facts leads to suspicion of the economic system. Suspicion leads to rejection. Rejection of the private enterprise system leads to acceptance of panaceas that look good on paper and sound good coming from the mouths of demagogues.

The spelling of the words Controller and Comptroller may be used interchangeably throughout this paper in keeping with the various spellings found in the source material.

¹Frank M. Surface, "Controllership and Public Relations" Controllership in Modern Management ed. by Thornton F. Bradshaw and Charles C. Hull (Chicago: Richard D. Irwin, Inc., 1950) pp 206-207

CHAPTER I

SOME ASPECTS OF CONTROLLERSHIP

About eight years ago in 1947, the Controller's Institute of America evolved a list of the recommended duties of a controller as applied to industrial organizations in the U. S.¹ Few controllers however, are responsible for all of the seventeen duties contained in that evaluation.

In 1947 the controller was charged with responsibility for such tasks as to provide for the preparation and interpretation of the various normal financial statements and reports; to prepare and interpret statistical records and reports; to install and supervise accounting records; and to execute various other functions usually thought to be strictly within the province of the accountant.

The dynamic nature of the Controller's function may be readily observed when we compare those accepted duties of 1947 with those of 1949.

In September 1949, the Committee on Ethics and Eligibility Standards of the Controller's Institute developed a concept of the functions of a controller which was immediately approved by the National Board of Directors of that group.

Examination of the more recent view reveals a modern concept of extremely broad scope which supercedes the outworn limited sense of controllership generally accepted in the past.

¹Controllers Institute of America, "Duties of a Controller", The Controller Vol. XV No. 1, January 1947, p. 46

In the words of Mr. James L. Pierce:¹

So much meaning has been packed into each of the six functions making up this definition.....so much thought given to the choice of each word.....that, if you have not read it before, its full impact may not reach you with the first reading.

The six functions of the Controller developed in 1949 are as follows:²

1. To establish, coordinate and maintain, through authorized management, an integrated plan for the control of operations. Such a plan would provide, to the extent required in the business, cost standards, expense budgets, sales forecasts, profit planning, and programs for capital investment and financing, together with the necessary procedures to effectuate the plan.
2. To measure performance against approved operating plans and standards, and to report and interpret the results of operations to all levels of management. This function includes the design, installation and maintenance of accounting and cost systems and records, the determination of accounting policy and the compilation of statistical records as required.
3. To measure and report on the validity of the objectives of the business and on the effectiveness of its policies, organization structure and procedures in attaining those objectives. This includes consulting with all segments of management responsible for policy or action concerning any phase of the operation of the business as it relates to the performance of this function.
4. To report to government agencies, as required, and to supervise all matters relating to taxes.
5. To interpret and report on the effect of external influences on the attainment of the objectives of the business. This function includes the continuous appraisal of economic and social forces and of governmental influences as they affect the operations of the business.
6. To provide protection for the assets of the business. This function includes establishing and maintaining adequate internal control and auditing, and assuring proper insurance coverage.

This list has remained without revision for the past six years.

We can accept it therefore as a current and valid answer to the question

¹James L. Pierce, "The Controllershship Function: A Modern Concept" The Controller Vol. XX No.9, September 1952, p. 420

²Ibid

TO THE HONORABLE JUDGE OF THE SUPREME COURT OF THE STATE OF NEW YORK, IN AND FOR THE SOUTHERN DISTRICT OF NEW YORK, I, J. J. J., do hereby certify that the within and foregoing is a true and correct copy of the original as the same appears from the records of the said Court.

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of the said Court, at the City of New York, this 1st day of January, 1911.

CLERK OF THE COURT.

1. The within and foregoing is a true and correct copy of the original as the same appears from the records of the said Court.

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of "which way controllership"?

The first, second, fourth and sixth functions are expansions of those normally thought to be within the area of responsibility for controllers. The third and fifth functions indicate the changing scope and breadth of the modern controllers mission.

In the third function, the controller is charged with responsibility for measuring and reporting on the "VALIDITY OF THE OBJECTIVES of the business". He is told to consult with all segments of management responsible for policy or action concerning any phase of the operation of the business. For purposes of this paper, we shall call this relationship internal public relations.

The fifth function calls for the controller to interpret and report on the effect of external influences on the company's objectives. It requires "CONTINUOUS APPRAISAL OF ECONOMIC AND SOCIAL FORCES AND GOVERNMENTAL INFLUENCES". This we shall call external public relations.

The question of what a controller does or whether a controller controls has many answers. We have seen what the Controllers Institute of America, the leading organized group of controller spokesmen, say the modern controller should be. We know the background of controllership. The history of the word can be traced to the French and the antiquities of bookkeeping.¹ Why then does the word controller and its attendant functions have "a specialized meaning, which is not clearly understood, even by the top strata of management, much less the financial public and the press."²

¹Editors of the Controller, "That Word Control", The Controller Vol. XX No. 9, September 1952, p. 421

²Ibid

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Apparently the lack of a clear picture as to the nature and functions of controllers is due in no small part to the very nature of the beast. Controllers have in general not yet disassociated their reputations from those of the green eye shade, quill pen type bookkeepers of Dickens fame.

Whatever the terminology, spelling, or connotation of the word controller the fact remains that the controller is involved in some manner with almost every form of corporate life; every facet of his function is eased or hindered by the use he makes of human relationships; his skill is measured by his facility in dealing with "the public". It is with this in mind that we pursue further the public relations aspects of the controller function.

Mr. Frank Surface, Executive Assistant to the President of Standard Oil Company (New Jersey) feels that the controller has a three-fold function to perform in the area of public relations.¹ He must first recognize the entire problem of public relations; he must keep management constantly aware of the dimensions of the problem and finally he must be able to fit his own specific ability to interpret fact and figures of the business into the over all public relations program.

¹Surface Opcit. p. 212

CHAPTER II

SOME ASPECTS OF PUBLIC RELATIONS

The term public relations has as many varied interpretations as does the word controller. Within the public relations field there are often as many definitions as there are practitioners. Two thousand of the leading public relations executives and experts recently submitted their explanation of public relations.¹ A wide variety of concepts was revealed. Some said it was a science, a system, an art, a process, a function, a humanizing genius, a relationship, a term, a business, a profession, a method, an activity, a program, a pattern of behavior and a moral force.

The definition of public relations selected as best, from among the two thousand considered, was "the continuing process by which management endeavors to obtain the good will and understanding of its customers, its employees, and the public at large; inwardly through self-analysis and correction, outwardly through all means of expression".²

Glen and Denny Griswold prefer this definition, "Public relations is the management function which evaluates public attitudes, identifies the policies and procedures of an individual or organization with the public interest, and executes a program of action to earn public understanding and acceptance".³

In addition to clarifying what is meant by public relations, we see the first parallel between the practice of public relations and the practice of controllership. That is the vast disagreement as to what the functions

¹Glen and Denny Griswold, "Public Relations—Its Responsibilities and Potentialities", Your Public Relations, ed. by Glen and Denny Griswold (New York: Funk and Wagnalls Co., 1948) 4

²Ibid

³Ibid

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of each really are. They are many things to many people. In order to better acquaint the controller with his public relations responsibilities and to endeavor to acquaint ourselves with the many faceted job of the controller we may continue the exploration.

Public relations has an ancient history comparable to that of controllership. Not ancient perhaps in terms of biblical events but ancient in terms of private enterprise as we know it.

As early as 1807 we find formal use of the word public relations in Thomas Jefferson's seventh address to the Congress of the United States.¹

In Europe, public relations began with the development of the ancient guilds, whose function was to convince the public of the value of their craftsmanship and the merit of their goods. From this evolved the hallmarks of quality and reputation. Complete public relations campaigns were staged on behalf of business to convince the public to legalize special privileges and monopolies. A measure of success is that even today many of the hallmarks of quality are well accepted.

The doctrine of Caveat Emptor (let the buyer beware) was accompanied by the prevailing 17th and 18th century notion that the business world could do no wrong as long as it contributed to the prosperity of the nation and the private treasury of the crown. These policies of business and thought habits of the public were carried over to colonial America and prevailed until we were well into the present century.

¹Ibid 5

It is important to discuss these attitudes so as to better realize the fact that the controller must be much more than a limited view accountant or an introspective executive.

We note that in the early days of the mass production era the public was considered a private hunting ground for business exploitation. Vast technological progress was accomplished with little thought for the public attitude or interest. Here was created the cleavage between business and the public which vexes the business community today. It resulted in a public attitude, reflected by a recent political administration, which became a real threat to the very existence of organized big business. A real enough threat to frighten the top management of America's so called "Big Business."

From top management's fright evolved the three general patterns of public relations programs. One is the paternalistic type of program as practiced by Kohler and Hershey and T. J. Watson.¹ The second type is the indifferent approach by those who merely give lip service to the idea that public relations are important. The third type is peopled by those who subscribe to the philosophy of the fumigation process (business is to get favorable publicity whether or not their acts and policies warrant it and above all keep the bad points hidden).

From these limited philosophies developed modern industrial public relations. Under the leadership of Arthur Page, the American Telephone and Telegraph Company developed a program which gave attention

¹Ibid 7

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to the company's relations with its employees, its customers and its neighbors.

Business came to learn that it must operate in the public interest if it is to survive. In this modern day of easy and rapid communications, it is a simple matter to contact one's congressman, to get the backing of one's labor union, to appeal to the passions of minority groups or any other of the myriad organized groups of modern America in order to shape and affect the course of corporate freedom.

Within my adult lifetime American business has developed a sincere and frequently apprehensive awareness of the importance of what the public thinks.

Out of this concern has developed a broad expansion in the use of public opinion research and in the general recognition of the fact that public attitudes can and must be measured accurately before specific policies are evolved and definite programs projected.

How does this concern the Controller? Remember he is charged with the function of interpreting and reporting on the effect of "external influences on the attainment of his company's objectives." To do this effectively the controller must be aware of the public relations tools available to him and the techniques of their use.

SECTION A

Public Relations As A Management Function

Milton S. Eisenhower, Director of Information under both Presidents Hoover and Roosevelt, made a succinct analysis of public relations which fits the controller. He says: "its purpose is not to acquire prestige for itself.....but to make public the results of the department's manifold activities".¹

There is today general acceptance of the idea that no one man or group of men designated as public relations experts can solve the public relations problems or gain public acceptance for a nationwide corporation or industry by playing figurative tunes on the mass mind of the people. Instead, to use a naval expression, public relations "is an all hands job".

In industries with Public Relations Officers and Departments, the tendency may be to let them worry about public attitudes and responses. Often, however, the ramifications of a projected plan and even the plan itself are not known to that department until it has become a "fait accompli". Financial policies and projected expansions are often established long before they come before those charged with public relations responsibility.

The controller however is included at the very birth of an idea in most companies. He is included in everything proposed, planned and projected. He is usually in top managements' inner sanctum. It is he who can start the public relations ball rolling by effecting a close personal liaison. It is he who can lift his firm's public relations from the position of being a mere messenger service between news and

¹J.A.R. Pimlott, Public Relations and American Democracy (Princeton: Princeton University Press, 1951) p. 73

THE HISTORY OF THE UNITED STATES

OF THE UNITED STATES OF AMERICA

FROM 1776 TO 1877

BY JOHN P. FLETCHER

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advertising media to the stature of key members on the corporate team.

Some of America's top industrial giants have realized that even though public relations is everyone's job it behooves top management to take an especially strong interest. The International Business Machines Corporation has adopted the policy of having bank accounts in each of its regional areas of operations. It further keeps minimum balances in these accounts to further create good will in the community in which it operates.¹

One reason advanced by military historians for the success of the British "Tommyes" over the Desert Fox Rommel in the battle of El Alemain was the fact that Field Marshall Montgomery paid special attention to ensuring that he, personally, as well as everyone on his staff, informed each and every soldier of the Who, What, Why, When and Where of the impending battle.

¹C. Boulton, Controller, International Business Machines Company, Speech delivered at the George Washington University, 13 October 1955.

CHAPTER III

CONTROLLERSHIP ACTIONS WHICH AFFECT THE "EXTERNAL PUBLIC"

SECTION A

Stockholders

Examination of the number of stockholders compared with the number of employees in American industry yields some startling figures. In many of our largest industries there are far more stockholders than there are employees. Of the ten largest corporations in this country six of them have more stockholders than employees. As of 2 January 1955 there were 1,923,905 stockholders in this group compared to 1,719,067 employees.¹

Other stockholder-employee comparisons may be made from the following summary.²

TABLE I

Numbers of Stockholders and Employees in
Selected Corporations

Corporation	Stockholders	Employees
General Electric	234,732	167,212
American Tobacco	74,039	10,740
Eastman Kodak	39,919	42,000
International Paper	26,800	22,667
R. J. Reynolds	66,000	15,000
American Can	34,000	23,400
National Dairy Products	66,636	36,698
RCA	228,502	38,435
American Car and Foundry	14,437	7,495
Proctor and Gamble	14,987	14,535

¹Fortune, "The Fortune Directory of the 500 Largest U. S. Industrial Corporations", Fortune Supplement July 1955 p2

²William A. Nielander and Raymond W. Miller, Public Relations (New York: The Ronald Press Company 1951) p140

TABLE I

THE EFFECT OF TEMPERATURE ON THE RATE OF
HYDROLYSIS OF STARCH

AT 100°C.

STARCH

The rate of hydrolysis of starch at 100°C. was determined by the method of Dubrunfaut, as modified by Bloor. The starch was prepared by the method of Bloor, and was dried at 100°C. for 24 hours. The rate of hydrolysis was determined by measuring the amount of reducing sugar formed in a given time. The results are given in Table I. The rate of hydrolysis increases with increasing temperature, and is highest at 100°C. The rate of hydrolysis is also affected by the concentration of the starch solution, and by the presence of other substances.

TABLE I

TABLE I

THE EFFECT OF TEMPERATURE ON THE RATE OF
HYDROLYSIS OF STARCH

Temperature, °C.	Rate of hydrolysis, % per hour	Concentration of starch, %
100	1.0	1.0
100	1.0	2.0
100	1.0	3.0
100	1.0	4.0
100	1.0	5.0
100	1.0	6.0
100	1.0	7.0
100	1.0	8.0
100	1.0	9.0
100	1.0	10.0

STARCH, prepared by the method of Bloor, and dried at 100°C. for 24 hours. The rate of hydrolysis was determined by measuring the amount of reducing sugar formed in a given time. The results are given in Table I.

THE EFFECT OF TEMPERATURE ON THE RATE OF HYDROLYSIS OF STARCH AT 100°C. STARCH

Going to the other end of the list of the largest 500 corporations, we find that even in the ten smallest companies one half of them have more stockholders than employees.¹

In the total summation of all 500 corporations there are 9,643,762 stockholders as opposed to 7,857,483 employees. Although a stockholder may hold stock in more than one company and be counted more than once, an employee also may be counted more than once due to a shifting of employment.

The figures are valid enough therefore for us to draw the conclusion that the controller has an opportunity here to influence a very wide segment of the American public with his annual report and other financial data available to him for distribution to the public.

In a recent speech by the Controller of Republic Steel Corporation, it was stated that the Controller is responsible for preparation of Republic's annual report.² This responsibility is retained by the Controller even though the Director of Public Relations is a member of the committee which prepares the report. The finished report contains a concise listing of the company planning for the year ahead.

Mr. Feill felt that much power of persuasion is available to the controller through use of this medium. He said that the material contained in the annual report is often used by financial writers and lecturers who specialize in predicting financial trends in particular industries. What they report affects the demand for stock in that company....a good report increases demand. Increased demand leads directly to higher stock value

¹Fortune, Op.Cit., p10

²Feill, Controller, Republic Steel Corporation, Speech delivered at The George Washington University, 4 October 1955

and that, says Mr. Feill, "makes my job at Republic easier." It makes much easier the job of financing and refinancing corporate expansion and in general improves the financial structure of the organization.

With such a large interested group available for contact through the annual report, it is vital that the controller exercise maximum effort to ensure that the corporate "best foot" is put forth.

To get a view of what the stockholders think about the Annual Report put out by the Controller, let us consider this comment of a Florida stockholder:¹

I feel that the annual report is just a matter of form and is set up to fit the occasion and often is not a true statement of condition.

Or this comment by yet another stockholder:²

I read fairly carefully the reports but some are difficult to follow for a non accountant.

A survey was conducted of stockholders to ascertain more fully their feelings.³ It was found that

64% of the stockholders read annual reports carefully
72% desire more information
67% want information more frequently
71% are interested in future plans.

Personal relations have virtually disappeared from the business scene. Where in days gone by there was a first name closeness between the customer and a business, now the very bulk of industrial organizations, their geographical distances, and the complex distributive systems of America's

¹Rex F. Harlow and Marvin M. Black, Practical Public Relations (New York: Harper and Brothers, 1947) p105

²Ibid, p.106.

³Ibid

modern economy leads to an impersonal relationship. Without a sympathetic public it is a simple matter for an organized minority (whether it be a labor union or a political group) to exert undue pressure on our legislative bodies. This pressure can result in influencing tax and regulatory measures to the detriment of the industry concerned. It becomes, therefore, the business of every business to sell itself every day. The Controller will do well to be aware of his part in selling the public through his contacts with company stockholders.

SECTION B

Trade Associations

The Controller has frequent opportunity to affect another segment of the public. This is the organized group known as a trade association. At these trade association meetings of fellow businessmen with similar interests, the reputation of a company or the lack of reputation may often be traced to the articulate nature of its representative. A controller who thinks his corporate responsibility ends with the establishment of a sound accounting and audit system is letting his fellow managers down.

Harlow and Black report a study of trade associations and their activities as conducted by the United States Chamber of Commerce.¹ The study shows that discussion of publications, cooperation with other organizations and attempts to evolve satisfactory business standards head the list of reasons for meeting. Statistical methods, accounting techniques and other items peculiar to a specific industry are also found on the agendas.

Here then is another effective medium for the controller to use in order to contact the "outside world". The various groups have basically similar interests and provide a sounding board for the controller to articulate the business policies and objectives of his own organization. He can keep abreast of industry trends and changes so necessary to his "big picture". It helps him better fulfill that part of his mission which requires continuous appraisal of economic and social forces and governmental influences.

¹Ibid, p. 221.

The search is for active good will as compared to passive good will. The cornerstone of active good will results from logically blending industry interest with the public interest to produce a degree of response which will mean sales in the market place, wise ballot marking in the voting booth and fair treatment in the chambers of government.¹

Relations with government are often a central part of the agenda items of trade association meetings. There obviously can be no fixed rules for these relationships. Knowledge of the hundreds of governmental services available to industry will in many cases prove valuable to the controller. There is much material, depending on the industry, which may solve specific financial problems to the considerable value of almost all controllers.

¹Holcombe Parkes "Association Public Relations", Your Public Relations ed. by Glen and Denny Griswold (New York: Funk and Wagnalls Co., 1948) p116

SECTION C

The General Public

Anderson, in his book on Practical Controllershship, raises the question as to the duties the controller has to the directors, the stockholders and the public.¹

In the late 1930s the question of controller responsibility received a great deal of public attention. This was due to the disclosure of fraud in the published statements of several companies. The discussions arising out of the McKesson and Robbins case in 1938 served to accentuate the trend toward holding the controller responsible not only to the letter of the various laws passed to protect the stockholder and the investor but also with the spirit of complete and adequate disclosure which lay behind the formulation of those laws.

The Securities and Exchange commission made it clear that the stamp of approval from a Certified Public Accountant in no way relieves management of its primary obligations for truthful disclosure to the public.

Professor Nathan Isaacs, Professor of Business Law at Harvard Business school, takes exception with the portion of the Securities and Exchange Commission as follows:²

.....the Securities and Exchange Commission has suggested.... that the controller speaks not only to one part or another of his organizations, but that he has the primary duty of speaking to the outside world, that he speaks to the creditors, to possible investors, and to the public....The statements issued by management are issued by the corporation and not by this individual who is merely an employee of the corporation, although one of his duties may be to get materials lined up so that management itself can have the facts.

¹David R. Anderson, Practical Controllershship (Chicago: Richard D. Irwin, Inc. 1949) p8

²Nathan Isaacs, "Legal Aspects of the Controller's Job" The Controller, (March 1940), 79

Mr. Anderson does not agree with Prof. Isaacs. He feels instead that the SEC is right in its assumption and the Controller¹

must at the very least accept complete responsibility for actively protecting the stockholders and the public from out-right fraud, and he must have and exercise freely whatever authority he needs to accomplish this end.

The public has in recent years become such a profound influence on shaping the success or failure of plans and policies of industry that current opinion will agree with the latter interpretation.

The actions of our lawmakers are generally planned to please the greatest number of the electorate who will express their pleasure in terms of votes at the appropriate time. Very rarely does an unpopular law remain on the statute books for long.

In the post war period we notice a growing tendency of public opinion to consider the reasonableness or unreasonableness of corporate profits as a matter of public interest. Labor unions have advanced the theory that profits of industry are excessive and even preach the doctrine that corporate reports are manipulated so as to conceal the true facts about earnings and are hence completely deceptive and untrustworthy.² It has been further advanced that in arbitrating wage disputes the government should examine the corporate books and pass on the reasonableness of the profits. The position of industry is that acceptance of this principle is a step down the road to socialism.....with the ultimate end the complete government regulation of wages, prices and profits.

¹Anderson, Opcit., p11-12

²Ibid, p502

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The Controller is in a position to be the voice of management's financial policies. He is bound to cast aside the retiring mein of accountancy and adopt the shield of St. George and set forth to slay the dragon; the dragon in the case being financial misinformation held by the public or the lack of any financial information at all.

The Committee on the Administration of the Government of the District of Columbia

has the honor to acknowledge the receipt of your letter of the 10th inst.

and in reply to inform you that the same has been forwarded to the proper authorities.

The Committee on the Administration of the Government of the District of Columbia

has the honor to acknowledge the receipt of your letter of the 10th inst.

CHAPTER IV

CONTROLLER ACTIONS WHICH AFFECT THE INTERNAL PUBLIC

SECTION A

Employee Relations

By internal public we mean the employees, other executives and officials and the organized labor groups within the organization.

"Employee relations is the most important area in the whole field of public relations".¹

Mr. C. Boulton, Controller for the International Business Machines Corporation noted in a recent speech that "an informed employee is a better employee".² This truism of corporate-employee relationships is something we all may realize and agree with. It is, however, within the scope of the controller's activities to provide the information with which the employee may be informed.

One tool available to top management and the controller for helping his employees along the road toward being better informed is the company publication known as the "house organ". Medium and large size business units in this country usually publish such an informative employee publication at regular intervals.

These house organs vary in scope and policy and style as much as does the average business mans concept of what a controller does. Basically, however, the major objectives of a house organ are to build an esprit de corps, to quiet labor unrest, to provide the working force with information about the company, to educate the employees, or to increase production.

¹Kirk Earnshaw, "How to Build Better Relations with Employees" *Your Public Relations*, ed. by Glen and Denny Griswold (New York: Funk and Wagnalls Co., 1948) 163

²Boulton, Op.Cit.

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Mr. Mercer says:¹

It should be emphasized that the company publication is one of the most effective media for the presentation of management's policies....and the strongest bulwark against adverse propaganda that may appear in the 800 well-edited labor papers which pull no punches, and are circulated monthly to 15,000,000 workers and their families.

Whether or not the controller's functions in your company are as broad as those of the Republic Steel Controller (who determines when to let the employees go home on snowy days or which days will be holidays for the office force) or whether they are limited strictly to the function of accounting, an awareness of the value of a good house organ is desirable. The controller has often been pictured as the man who always says no. And yet our modern controller is charged with measuring and reporting on the effectiveness of his company's policies.

An important element in establishing a program which will prove effective is the need for repetition. As pointed out by Mr. Earnshaw, it is a fallacy to think that a subject as complex as the "profit story" can be told once and then forgotten.²

The trend of industrial relations in the next five years and perhaps for all time may be determined by the extent to which employers explain their profits to the worker and the wisdom and effectiveness of their programs for teaching the economics of business to employees. The outstanding fallacy in this field of indoctrination is the assumption that the profit story need be told to workers but once. It's a story that must be repeated over and over again and brought into company communications on every justifiable occasion.

¹Charles G. Mercer, "Company Publications," Your Public Relations
Griswold Op.Cit. Pl402

²Earnshaw Op.Cit. pl65

SECTION B

Labor Relations

The current national and world scene of human relationships shows a failure of nations as well as groups to recognize their essential community of interests. In a barren economy where a sufficiency to fill a man's belly is the prime problem, such a conflict is more understandable than in our American society of comparative plenty.

Mr. Anderson, in his book *Practical Controllershship*, feels that militant conflicts which arise from differences of interest are anachrostatic and a severe drain on our economy.¹

The appearance of this struggle in our country takes the form of conflict between management and labor. That this conflict is of a continuing nature is evident from the most recent marshaling of strength on the part of labor.

In an effort to wield an even stronger stick in its relations with government and business, the two largest labor groups in America, the CIO and the American Federation of Labor are, this very month, completing a merger which will give it untold strength. Its power will be wielded not only over the bargaining table but in its affect on the political scene. It is from our politics and politicians that we get our laws. Were a law to be passed limiting corporate profits, that would be the law of the land binding on all. It is not surprising therefore that in the first postwar annual meeting of the Controllars Institute in 1946 a large part of their program was devoted to public and employee relations with great stress laid on the importance of giving employees a sense of partnership and participation in the various enterprises represented.

¹Anderson, Op.Cit. p500-511

To quote Mr. Anderson:¹

This idea is something of a platitude in that it is almost universally given easy lip-service, but its dominant importance and its full implications are yet to be recognized. The controller is not expected to be a specialist in industrial relations, but a study of current thinking and practice in that field should be a part of his continuing education as a business executive.

Some unions have attempted to introduce into wage negotiations the principle that a company's ability to pay as determined by its profits should be the major factor in determining wage levels. Various pamphlets are published by organized labor purporting to show by various means that the profits of the companies discussed are excessive and unreasonable and that they are UNDERSTATED IN PUBLISHED REPORTS. In the latter connections, the principal points attacked are the reserves provided for depreciation, war amortization and other purposes. Because of this and the absence of any reliable information as to the real facts, the laborer and a sympathetic public in general has a grossly exaggerated idea of the amount of profits and the relations of these profits to total wages and salaries paid.

Two remedies are available to combat this erroneous thinking. Both are within easy grasp of the plain old everyday garden variety of controller. These are to make the published reports reliable, intelligible and complete (within the limitations imposed by business competition) and secondly to publicize the real facts about corporate profits in general and then educate the public as to the significance of the reports. This will require explanation of matters normally understandable only by controllers and other financial men. Each individual business should start its explanations

¹Ibid, p. 501.

right at home with its very own "Public", namely its employees.

A check off list of questions suitable for answer in either employee publications or annual reports follows:¹

- What is the Company's attitude toward the employee?
- How much profit does the company make and then who gets what?
- How do employees share in the company's income as compared with stockholders?
- Does the company have an interest in humanity as well as in profits?
- What is the company doing to smooth out the work cycle and what are the problems involved?
- What ideals does the management hold for the company?
- Who provides this machine?
- How does competitive capitalism work?
- What profits does this machine confer on stockholders, employees, consumers?
- What is competition and how does competition make for progress?
- What is the company's share of its responsibility?
- What is the Community significance of the company?
- What contribution is the company making to the nation's welfare?

Using the framework established in these questions the controller can use his vast store of facts and figures to considerable advantage.

¹Surface, Op.Cit. p226

CHAPTER V

COMMUNICATIONS

You cannot have public relations without communications. The overlapping nature of the controller's job is familiar by this time to students of "what is a controller"? Many people have written books on communications, what they are and how to use them. The tools of the controller are also the means of communications. In the preface of Newcombs and Sammons' book, SPEAK UP MANAGEMENT, we find¹

the word communication refers to the long neglected art of man-to-man discussion in business and industry. It refers also to discussion through those printed substitutes for personal communication that industry—under the pressures of industrial growth—must use in place of the spoken word. Through communication, business and industry seek to interpret themselves to employees and to the public. The bridges of understanding after all, are not built on the drawing table—sooner or later someone must turn the first shovelful of ground; someone must lay the foundations and start building. There is no substitute for sincerity in the world of communication. It is the yardstick by which the people of management, and the programs they foster, will be measured. When the sincere management speaks up, its voice will be heard.

A more specific question is posed by Doris in his section on internal reports. In substance he says that the primary requirement of a good report, but the one most frequently overlooked in practice is that the facts be communicated. Preparation of good reports and the mere presentation of facts is not sufficient. Unless they are RECEIVED AND UNDERSTOOD by the proper parties the reports are useless—the time spent wasted.²

There are no specific methods or techniques for developing understandable reports. They must rather be developed through specific analysis of the audience. The need for breadth and vision is obviously a requirement of the

¹Robert Newcomb and Marg Sammons, Speak Up, Management (New York: Funk and Wagnalls Co., 1951) pvii.

²Lillian Doris, Corporate Treasurers and Controller's Handbook (New York: Prentice Hall, Inc., 1951) p. 802.

controller. Very few trained in just the accounting aspects of controller-ship have this breadth. To acquire it should be a continuing goal of the modern controller.

To aid accountants achieve this clarity of expression, the American Institute of Accountants recommended that the term "surplus" be discontinued in balance sheet presentations of stockholder's reports.¹ There is a growing body of opinion among the bulk of the untrained general public that such items as reserve for amortization, reserve for depreciation and all other reserves are actual physical funds which are retained by the business as a means of making their profits look smaller. It is often surprising to laborer and stockholder alike to realize that these accounts do not represent actually available money. When it is time to build a new building to replace the old, they ask, why not "take it out of the new building reserve?" Or when it is time to negotiate a new wage settlement, the attitude is that the corporation has plenty of unused monies in the various reserve accounts.

Accountants know the true meanings of the technical usages of purely accounting terms but it is a responsibility of the controller to see that emphasis is properly made to the public that the amount of the various reserves for depreciation ordinarily has no reference to the cost of replacement.² If the asset which is purchased to replace the old one that is being scrapped costs more than the old one, additional funds will have to be invested. In addition, these reserves for depreciation do not represent a cash fund. Cash to make these new purchases and constructions must be secured from another source. Monies are not in the Reserve Accounts. Perhaps new stock must be

¹H.S. Noble and C. R. Niswonger, Accounting Principles (Dallas:Southwestern Publishing Co., 1953) p402

²R. N. Owens and R. D. Kennedy, Accounting, Elementary Theory and Practice. (New York: D. Van Nostrand Co., Inc., 1950) p515

sold, perhaps a new bond issue floated. At any rate, the facts must be clearly stated as to the true meaning of the accounts.

Mr. Mansfield said that in The General Motors Corporation the Profit and Loss Statements and Balance Sheets presented by the Controller to Top Management are considerably different than those statements presented to the various operation divisions of the firm.¹ Those to the operating divisions are much more simple and in non accounting terms. Herein lies an excellent technique for ensuring that the reports are not only received but understood.

¹Richard Mansfield, Controller, Rochester Division, General Motors Corporation, Speech delivered at the George Washington University, 21 Oct 1955

which, however, I will not discuss further, as they are not of the same nature.

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CHAPTER VI

INFORMATION THE CONTROLLER CAN PROVIDE

Harry A. Bullis, Chairman of the Board of General Mills Inc., in a recent article, discussed management's stake in public relations. He noted that expansion and production were the key words in the first half of the twentieth century. The recent and more modern trend however, is toward progress in the field of human relations. Mr. Bullis mentioned two problems which are of interest to the controller. They are as follows:¹

1. How to facilitate new financing plans and attract new venture capital
2. How to build public confidence in the American system of free competitive enterprise as the most desirable economic climate

In order to more simply solve these two problems the controller should present the corporate finances in simple easy to understand form. In addition he should keep employees informed of the relative industry position of their company, keep them abreast of such other items as expansion plans, sales orders, research prospects, industry outlook and some of the problems of management such as taxation trends and taxation policies of government.² These are the classes of information which employers agree should be shared with employees. These are the basic, simple facts about the capital investment of any enterprise and as such are of interest to all employees.

To get the message across the controller can also use such techniques and methods as the management newsletter, employee handbooks, annual reports for employees, the bulletin board, the employee publication, supervisory and

¹Harry A. Bullis, "Management's Stake in Public Relations", Your Public Relations Griswold, OpCit p20

²Newcomb and Sammons, Op.Cit.p9

THEORY OF THE EARTH

THE EARTH IS A SPHERE, AND ITS SHAPE IS DETERMINED BY THE FORCE OF GRAVITY.

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employee meetings and any other opportunity for personal contact.¹

To aid him a backlog of current and historical financial material, prepared in dramatic, simple, easy to understand form, should be maintained. Such information about the financial situation will help employees better understand management's function and the proper relationship of each to the other.

In his relations with the external public the controller can effectively project his story through use of these means.²

- The Annual Report
- Summaries of Annual Reports
- Forecasts
- Interim reports in simplified form
- Presentations to security analysts
- Financial discussions before trade and other associations
- Lecture opportunities at major universities
- Written articles
- Vox Pop or letters to the editor
- Plant open houses
- Providing information for guided tour personnel

¹R. N. Owens, Business Policy (Homewood, Ill, Richard D. Irwin Inc., 1954) p216

²Harlow and Black Op.Cit. p73

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CHAPTER VII

THE ROAD AHEAD

The road ahead for the Controller is as broad as the very horizons.

Robert E. Gross, in speaking of controllers says this:¹

Controllers, having at their fingertips the basic data on the whole operation, have a golden opportunity to present the facts of our business system to the masses in a more attractive and lucid manner than anybody in the business. You can do just as much and perhaps more in the way of selling, if you will, the American business system to its members than public relations men or advertising agents. You have the incalculable advantage of the basic knowledge and the data and the facts at hand, whereas they have to get all their material from you.

The controller has more information and is better informed on the actual status of the corporation than any man in that corporation, often times, including the president or chief executive. Yet he strangely enough is the least vocal and the most inarticulate functionary in that corporation according to Mr. Gross. Although he has at his fingertips all the essential information about the operations of his company he is unable to translate this information into a palatable and appealing picture of his business. His office is often and usually regarded as a crypt where the facts of economic life are collected and stored.

It is the controllers responsibility to have more direct contact with the public. Only then will his role as a professional man be more widely recognized.

Mr. James L. Pierce a prolific writer of note in the field of Controllership says that properly speaking Controllership is not a function

¹Robert E. Gross "The Controller in a World of Change" The Controller Vol. XXI No.8 August 1953 p.367

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at all but rather a state of mind....an attitude.¹ "A mere set of functions may be assigned to any qualified person but Controllershship goes far deeper. It is a trained viewpoint which, when properly exercised, brings balance to management thinking, escorting it through sound channels of business judgement and ushering it into the realm of profitable operation."²

The controllers duties and activities have become so extensive that they enter into every significant move and decision of management. Every phase of the operation of the business is his business. He should however keep in mind always that his IS A STAFF FUNCTION and not let the scope of his activities earn him the title of busy-body.

The Public relations "route" is clearly marked on the road ahead. It is as vital a part of the forward looking controllers organization as is the accountants switch from the green eye shade and quill tip pen to the electronics wizardry of today.

¹Pierce, Op.Cit. ph420

²Ibid. ph420

CHAPTER VIII

CONCLUSIONS

The controller in any organization must guard against being classified as a "green eye shade" type with the soul of an accounting machine. His value in his job is not only based on how well he does the mechanics of that job but on how well people think he does that job. His value rapidly diminishes as misconceptions continue to grow of him, his job, his functions and his company.

An example of employee attitudes was observed in a recent motion picture called "EXECUTIVE SUITE". In this the Controller was pictured as a soulless individual whose head was filled with figures and who was surrounded by a negative attitude.

From many sides we hear Controllers referred to in derogatory terms. In some cases the boss thinks he is a "cold fish".¹ In others an obstructionist who restrains the operators from spending that which will insure a company profit. Labor may think of him as a tool of "Big Business" whose sole job is to hide the true bulk of profits from their innocent eyes.---To the public he may be a "high priced bookkeeper".

The Controller is obviously many things to many people. It behooves him to stand off and take a long hard look at himself and his job. Is he just a bookkeeper? Is he just a walking accounting machine? Is he a repository for facts and figures? A man with a squirrellike tendency to accumulate figures for the sake of accumulating them? Whatever the answer the realization is apparent that his every action affects and overlaps into

¹E. P. Learned, D. N. Ulrich and D. R. Booz, Executive Action (Andover, Mass.: The Andover Press Ltd., 1951) p202

The Journal of the American Medical Association is a weekly publication of the American Medical Association, published at 535 North Dearborn Street, Chicago, Ill. It is the official journal of the American Medical Association and is the most widely read and influential medical journal in the United States. It contains original articles, reviews, and news items of interest to the medical profession.

The Journal is published weekly, except on Sundays and public holidays. It is published in English and is available in microfilm and microfiche editions. The Journal is a member of the International Association of Medical Journals and is indexed in the Index Medicus and the Current Contents.

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all fields of corporate endeavor. He affects fellow executives, employees, stockholders, legislators, trade associates and the general public. How he affects them is a measure of his effectiveness. His use of the public relations tools available to him will do much to enhance his own functions and the public acceptance of the company he represents. In the words of Mr. Gross of Lockheed "Controllers are the best qualified group in the country to suggest the changes that we might make in our business methods that would make the business of the country better understood and its ownership more desirable and more broad".¹

The most eloquent conclusion as to the public relations aspects of the controllers function is, in my opinion, to be derived from the following words of Mr. Frank M. Surface.²

What part can or should the Controller play in this program? In the first place it must be clear that the Controller is not the public relations officer of a company. His is certainly not the prime responsibility for efforts along this line. But the controller can and, I believe, should exert his very considerable influence with management along these lines. Certainly the controller in the past has had a very great influence on the character of the data which a company has issued both in its annual and in its other reports. He can, if he will, have an equally great influence in persuading a company to humanize its data and to give the kind of information which the public rightly expects from a corporation.

Because of his far greater knowledge of the statistics and other information that could be made available, he has an opportunity to keep suggesting to management the kind of data that could be presented to the public. I SHOULD LIKE TO PLEAD THAT THE CONTROLLER UNDERTAKES TO PERFORM THIS FUNCTION IN THE AREA OF PUBLIC RELATIONS.----If the controllers can show how these lessons in simple economics can be gotten across to the American People, they will have conferred an enormous blessing upon mankind.

¹Gross, Op.Cit. p367

²Surface, Op.Cit. p232

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